FILE COPY

Office-Supreme Court, U.S.
FILED
JAN 19 1959
JAMES R. BROWNING, Clerk

IN THE

Supreme Court of the United States

OCTOBER TERM, 1958

No. 443

G. & G. FISHING MAGNETS, INC., ET AL.,
Petitioners

v.

K. & G. OIL TOOL AND SERVICE COMPANY, ET AL.

PETITION FOR REHEARING

MELVIN RICHTER
826 Pennsylvania Building
Washington 4, D. C.

TOM ARNOLD
218 Esperson Building
Houston 2, Texas
Counsel for Petitioners

January 19, 1959

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1958

No. 443

G. & G. FISHING MAGNETS, INC., ET AL.,
Petitioners

v.

K. & G. OIL TOOL AND SERVICE COMPANY, ET AL.

PETITION FOR REHEARING

G & G Fishing Magnets, Inc., G & G Fishing Tool Service, A. C. Green, A. C. Green, Jr. and C. P. Buckler, Petitioners herein, respectfully pray (1) that this Court grant rehearing from its order issued November 24, 1958, denying a writ of certiorari to review various judgments of the Supreme Court of the State of Texas entered in the above-entitled cause, on March 12, 1958 and June 4, 1958, and that court's denial of a Motion for Rehearing entered on July 16, 1958; and (2) that, upon such rehearing, this Court issue a writ of certiorari to review these judgments and orders of the Texas Supreme Court.

By order of Mr. Justice Black, dated December 17, 1958, the time for filing this petition for rehearing has been extended to and including January 19, 1959.

REASONS FOR GRANTING REHEARING

In this case the Texas Supreme Court has in effect reinstated a judgment of its trial court, which, in addition to awarding money damages, entered an injunction perpetually restraining petitioners from making and using a magnetic fishing tool, found to have been copied, by way of breach of confidence, from that conceived by respondent, John H. Kirby II and manufactured and marketed by respondent, K. & G. Oil Tool and Service Company. The problem here flows principally from the fact that the injunction was issued *in perpetuo* notwithstanding respondents' seeking and obtaining a patent (Patent No. 2,668,077, issued February 2, 1954) for the "secret" thus allegedly misused by petitioners and the consequent disclosure, under the patent laws, to the public generally of this asserted secret.[1]

1. Urging that no federal questions were presented (Br. in Opp., pp. 3-5, 9-10) and that the decision below was supported by adequate state grounds (Br. in Opp., pp. 7-9), respondents opposed certiorari basically on the theory that the effect to be given to its conversion of its trade secret into a published patent, open to the public generally, was purely a matter of state law. While settled doctrine clearly establishes this patent question to be controlled by federal law, the fact that respondents have grounded their opposition upon a contrary theory, coupled with the Court's denial of certiorari without, in accordance with its usual practice, setting out the reasons therefor, makes it appro-

[1] The petition also urged that the perpetual injunction reinstated by the court below was improper in view of the Sherman Antitrust Act, 35 U. S. C. 1. While not discussed in this petition for rehearing, we reserve the right, should rehearing be granted, to brief and argue this question as well.

priate to reemphasize the federal nature of this question. This is particularly so since the petition for certiorari otherwise fully showed, we submit, ample cause for review by this Court.[2]

The fundamentally federal nature of patent questions is demonstrated by the facts that the various laws relative to patents have been enacted by Congress and this, pursuant to Section 8 of Article I of the Constitution, which vests in Congress power:

> "'. . . to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.'"

Since the patent laws are thus federal laws, questions arising with respect thereto of necessity are federal questions, to be determined in accordance with federal law and policy.

The federal nature of patent questions is also manifest from 28 U. S. C. 1338, which provides in subsection (a):

> "'The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, . . . Such jurisdiction shall be exclusive of the courts of the states in patent . . . cases.'"

Certainly, by vesting such exclusive jurisdiction in the federal courts over patent cases, Congress intended

---

[2] The petition showed in detail that this federal question had been timely raised in the state courts (Pet., pp. 8-13), that the federal and state courts are in conflict thereon (Pet., pp. 19-21), that the decision below on this issue is incorrect (Pet., pp. 21-22, 25-31), and that the problem is of importance and arises frequently (Pet., pp. 23-25).

that the applicable law, whether statutory or common law, would be federal in nature.

While it is established that this exclusive jurisdiction is limited to patent "cases" as distinct from patent "questions" (see *Pratt* v. *Paris Gas Light & Coke Co.*, 168 U. S. 255, 259 (1897); *Vanderveer* v. *Erie Malleable Iron Co.*, 238 F. 2d 510, 513 (C. A. 3, 1956), *certiorari denied*, 353 U. S. 937 (1957)), so that state courts are not without jurisdiction to pass on patent questions, such state jurisdiction is not as of right as it would be were purely state law questions involved, but rather, a matter of federal grace. As formulated in the *Vanderveer* case, *supra*, this Court "has held that a state court is *empowered* to determine questions . . . arising under the patent laws, . . ." (emphasis supplied) 238 F. 2d at 513; see, also, *New Marshall Engine Co.* v *Marshall Engine Co.*, 223 U. S. 473 (1912). There thus can be no doubt that patent questions are governed by federal law even though they may be considered and passed on by state courts. See, also, *MacGregor* v. *Westinghouse Electric & Mfg. Co.*, 329 U. S. 402, 406-408 (1947); *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249, 255-258 (1945); *Sola Electric Co.* v *Jefferson Electric Co.*, 317 U. S. 173 (1942).

The various cases relied upon by respondents (Br. in Opp., p. 10) do not show that state law is controlling. *Smith* v. *Dravo Corp.*, 203 F. 2d 369 (C. A. 7, 1953), while involving both trade secrets and patents, raised no question as to the effect of a public disclosure by the issuance of a patent upon the propriety of an injunction on the trade secret count; moreover, the reference to state law related solely to the trade secret count. Such, also, was the situation in *Franke* v. *Wiltschek*, 209 F. 2d 493 (C. A. 2, 1953). On the other hand,

Shellmar Products Co. v. *Allen-Qualley Co.*, 87 F. 2d 164 (C. A. 7, 1936) *certiorari denied*, 301 U. S. 695 (1937), and *A. O. Smith Corp.* v. *Petroleum Iron Works Co*, 73 F. 2d (C. A. 6, 1934), 74 F. 2d 934 (C. A. 6, 1935), while adopting a contrary view on the problem here involved, clearly do so as a matter of federal law; in neither case, as respondents implicitly concede, did the courts even suggest that state law is governing on this issue. The state cases cited by respondents (*Tabor* v. *Hoffman*, 118 N. Y. 30 and *Adolph Gottscho, Inc.* v. *American Marking Corp.*, 18 N. J. 467, do not mention the state vs. federal law problem. Thus, to the extent involved therein, these cases, far from giving comfort to respondents, support our position that the question is one of federal law.

2. On this federal question, the Texas Supreme Court, we believe, reached a grossly incorrect result. Since the effect of respondents' obtaining a patent on their asserted trade secret together with their marketing it under that patent is, under the patent laws, to disclose it in its entirety to the public generally, there no longer is any secrecy to protect by way of injunction. Consequently, the primary purpose served by enjoining the petitioners from utilizing the information now converted to a matter of public knowledge is necessarily that of punishment. As stated in *Conmar Products Corp.* v. *Universal Slide Fastener*, 172 F. 2d 150 (C. A. 2, 1949), with regard to the approach which the court below adopted (172 F. 2d at 156):

> "The doctrine must rest upon the theory that it is a proper penalty for the original wrong to deny the wrong doer resort to the patent; and for that we can find no support in principle."

The impropriety of using an injunction to impose punishment is made even clearer in *Hecht Co.* v. *Bowles*, 321 U. S. 321 (1944), where this Court stated (321 U. S. at 329-330):

> ". . . historic injunctive process was designed to deter, not to punish. The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. . . . The qualities of mercy and practicality have made equity the instrument for nice adjustment and reconciliation between the public interest and private needs as well as between competing private claims."

Not only does *Hecht Co.* v. *Bowles, supra*, demonstrate that the use of an injunction to impose punishment, as was done here, departs radically from the traditional functions and purposes of the equity jurisdiction but it also sets out additional considerations which apply here with particular force and which, as so applied, serve further to reveal the error of the court below. Since one of the primary aims of the patents laws is that "the consuming public at large shall receive the benefits of the unrestricted exploitation, by others, of its disclosures" (*Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249, 255 (1945)), "any attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws" (*id.* at p. 256).

When the patent laws' strong purpose of unrestricted exploitation, *by others*, of a patent disclosure for the benefit of the consuming public is taken in account, as it must be under *Hecht Co.* v. *Bowles*,

supra, and especially when there are coupled therewith, "the qualities of mercy and practicality," it is plain that the granting of a perpetual injunction here was erroneous. For the effect of the injunction is forever to close an important avenue for passing the benefits of respondents' alleged invention to the consuming public. This impropriety is brought into even sharper focus when it is also recalled that, as stated in *Virginian R. Co.* v. *System Federation*, 300 U. S. 515, 552 (1937)

> "Courts of equity may, and frequently do, go much further both to give and withhold relief in furtherance of the public interest than they are accustomed to go when only private interests are involved."

See, also, *Yakus* v. *United States*, 321 U. S. 414, 441 (1944). Thus, the basic infirmity in the Texas court's decision is that it subordinates the public interest to a desire to impose a punitive sanction upon an alleged wrong doer.

The justification, adopted by the cases (*e.g.*, *Shellmar Products Co.* v. *Allen Qualley Co.*, 87 F. 2d 104 (C. A. 7, 1936), *certiorari denied*, 301 U. S. 695 (1937)) followed by the court below, that by his wrong doing, the so-called wrong doer thereby removes himself from the general public, overlooks the significant fact that the effect of the perpetual injunction is not limited to depriving the wrong doer of the benefits of the disclosure resulting from the issuance of the patent; it also operates to shut off from these benefits that portion of the public which would have been served by the alleged wrong doer. "The interest in good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropri-

ate exercise of the legislative power." *Scott Paper Co.* v. *Marcalus Mfg. Co., supra,* at p. 257.

CONCLUSION

For these reasons and those set out in the petition for a writ of certiorari, wherein it is shown, in addition, that this question is important, that it arises frequently both in state and federal courts, and that there is a conflict thereon among these courts, it is respectfully submitted that this petition for rehearing should be granted and, upon rehearing, a writ of certiorari should issue.

MELVIN RICHTER
826 Pennsylvania Building
Washington 4, D. C.

TOM ARNOLD
248 Esperson Building
Houston 2, Texas

Counsel for Petitioners

January 19, 1959

Certificate of Counsel

We, the undersigned Counsel in the above cause, do hereby certify that the above and foregoing Petition for Rehearing is presented in good faith and not for delay.

/s/ MELVIN RICHTER
Melvin Richter

/s/ TOM ARNOLD
Tom Arnold